

# ***Administration and Effectiveness of the Environmental Contribution Levy***

Tabled 25 June 2014

## Background

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- Environmental Contribution Levy (ECL) established in 2004.
- Key initiative of the *Our Water Our Future* white paper.
- *Water Industry Act 1994* objectives of the ECL are to:
  - a) promote the sustainable management of water or
  - b) address adverse water-related environmental impacts.

## Background – *continued*

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- A tranche is a four-year period.
- ECL collected from water businesses over three tranches:
  - 5 per cent of revenue for urban water businesses.
  - 2 per cent of revenue for rural water businesses.
- Cost passed on to water users through bills.
- ECL is not a line item on bills.
- Estimated average annual cost:
  - \$22.12 in 2007
  - \$27.54 in 2012
  - \$44.25 forecasted in 2014.



Flood monitoring with acoustic doppler on the Goulburn River at Loch Garry. Photo courtesy of DEPI.

## Funding and ECL projects

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	<b>Tranche 1</b> <b>2004–05 to 2007–08</b>	<b>Tranche 2</b> <b>2008–09 to 2011–12</b>	<b>Tranche 3</b> <b>2012–13 to 2015–16</b>
Revenue collected	\$227 million	\$278 million	\$407 million (forecast)
Expenditure	\$217 million 2004–05 to 2008–09	\$289 million 2007–08 to 2012–13	\$30 million in 2012–13 of the \$236.8 million budgeted (a)
Initiatives	45 projects under five strategic priorities from the <i>Our Water Our Future</i> white paper.	27 projects under four strategic priorities including 11 continuing from tranche 1, eight election commitments and eight new initiatives.	27 projects, including four continuing from tranche 2, and a range of new projects reflecting current government priorities.

(a) The government is expected to commit further levy funds to projects in future years of tranche 3. Note: Some expenditure has occurred outside the four-year timeframe for revenue collection of each tranche.

## Roles and responsibilities

ECL funds held in consolidated revenue and are allocated to the Department of Environment and Primary Industries (DEPI) as part of the State Budget and Cabinet approval processes.

### **DEPI's role:**

- Advise on the rate of the levy and projects proposed for funding.
- Oversee the delivery of levy-funded initiatives.
- Annually report details of the levy's expenditure.
- Review the levy at the end of each tranche.

### **Delivery partners**

- External parties responsible for delivery.
- Catchment management authorities, water businesses and commercial service providers.

## Audit objective

To determine the effectiveness of DEPI's administration of the ECL and its funded initiatives.

Focused on:

- administration and governance
- whether funded initiatives achieved their intended outcomes
- transparency and public reporting of administration and achievements of the ECL.



Irrigation upgrades on an almond orchard.  
Photo courtesy of DEPI.

## Conclusions

While the administration of individual ECL projects has generally been sound, there are deficiencies in the management of the levy.

The audit concluded that there is:

- sound project management
- weak processes for selecting proposed projects
- lack of an evaluation framework
- unclear articulation of ECL's strategic aims and required revenue
- poor public reporting.

## Findings – sound project implementation

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- Departmental project management procedures generally improved over time.
- Appropriate arrangements in place with delivery partners.
- Adequate monitoring and implementation.

Data on surface water levels and volumes is collected from gauging stations, such as this one on Yarriambiack Creek, Wimmera Highway. Photograph courtesy of DEPI.





## Findings– weaknesses in project selection

- Differing views across government about appropriate use funding.
- Unclear whether all tranche 3 projects meet the objectives of the levy.
- No criteria or guidelines for selection and prioritisation of projects.
- Poorly documented decision-making.

## Findings – lack of an evaluation framework for the ECL

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- Two end of tranche reviews but DEPI did not assess the effectiveness of ECL.
- No evaluation framework.
- Project evaluations are patchy and variable in quality, but some good environmental results from the projects.



Irrigation upgrades on an almond orchard in the Mallee. Photo courtesy of DEPI.

## Findings – insufficient transparency in public reporting

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- Strategic priorities of ECL and the associated costs of addressing them are not clearly articulated.
- Very limited public reporting about ECL and funded projects.
- Insufficient transparency.



The Cann River Floodplain looking downstream, showing a linked corridor of native vegetation along the riparian areas. Photo courtesy of DEPI.

## Recommendations

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		Accept
1.	That as a priority DEPI establishes guidelines to inform the selection and prioritisation of initiatives funded under the ECL.	✓
2.	That DEPI documents the strategic priorities and cost of addressing water policy needs to inform the determination of the total revenue that the levy is being used to recover.	✓
3.	That DEPI develops an evaluation framework for the ECL that measures the effectiveness of both the levy and the projects and/or initiatives it has funded.	✓
4.	That as a priority DEPI enhances public reporting of the ECL in annual reports and other mechanisms.	✓

## DEPI's response and proposed actions

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- DEPI acknowledged the key issues during the course of the audit.
- Four audit Recommendations—all agreed.
- DEPI has committed to a series of improvement initiatives.
- Actions towards Recommendations 1 and 4 commencing this year.
- Actions towards Recommendations 2 and 3 will be completed in time for the government to consider continuation of a fourth tranche of the ECL.

## Final comments

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- Broader implications for hypothecated funds.
- Similar findings to VAGO's 2009 audit of *Management of the Community Support Fund*.
- VAGO will consider other similar funds in it's forward plan.

A grade control structure on the Combienbar river, this structure will reduce deepening and widening of the river channel. DEPI's delivery partner for this projects is the East Gippsland Catchment Management Authority. This was funded under the Tranche 3 -Securing Priority Waterways project. Photo courtesy of DEPI.





## Contact details

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